

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS**

(A Component Unit of the City of New Orleans)

**Financial Statements as of December 31, 2012
and for the Year Then Ended
and Independent Auditors' Report**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 13 2013

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS**

(A Component Unit of the City of New Orleans)

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Silva Gurtner & Abney

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Algiers Development District
of the City of New Orleans
(A Component Unit of the City of New Orleans)
Algiers, Louisiana

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Algiers Development District of the City of New Orleans, a component unit of the City of New Orleans, (the District), as of and for the year ended December 31, 2012, and the related notes to financial statements, which comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4330 Dumaine Street
New Orleans, LA 70119
(504) 833-2436 (O) • (504) 484-0807 (F)

200-B Greenleaves Blvd.
Mandeville, LA 70448
(985) 626-8299 (O) • (985) 626-9767 (F)

900 Village Lane
P O Box 50, Pass Christian, MS 39571
(985) 626-8299 (O) • (985) 626-9767 (F)

Limited Liability Company
www.silva-cpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 6 and page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Silva Gurtner & Abney, LLC

June 26, 2013

REQUIRED SUPPLEMENTARY INFORMATION (PART I)

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS
(A Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The **Algiers Development District of the City of New Orleans (the District)** Management's Discussion and Analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of **the District's** financial activity, and identify changes in **the District's** financial position and its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments" and is intended to provide the financial results for the fiscal year ended December 31, 2012.

As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: Government-Wide Financial Statements and Fund Financial Statements.

Government-Wide Financial Statements

The government-wide financial statements provide a perspective of **the District** as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenditures regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various services.

Revenues to **the District** consist primarily of local and state sales tax collections as well as State of Louisiana Capital Outlay funds.

Expenses for **the District** consist primarily of expenses to support the Federal City project as well as administration expenses.

Fund Financial Statements

The fund financial statements' focus is on **the District's** major funds rather than fund types. The two account groups: General Fixed Assets and General Long-term Debt are not reported.

Consistent with previous years, the fund financial statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used. In addition, capital asset purchases are expensed and not recorded as assets. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

The General Fund and the Capital Projects fund are the only funds of the District.

General Fund

The General Fund encompasses all revenues and expenditures of the District that are not accounted for in another fund.

Capital Projects Fund

The Capital Projects Fund relates to the construction of the Levee Bike Path. The construction is being financed with bond proceeds totaling \$3,000,000.

Financial Highlights

Summary of 2012 Assets and Liabilities

Assets

As of December 31, 2012, the total assets of the District increased by \$1,613,886. This is the direct result of the inflow of \$2,983,662 of bond proceeds to complete the levee bike path project, as well as a decrease of \$576,963 in receivables as a result of the completion of the Federal City YMCA. There was also a decrease in investments as a result of increased program activities pertaining to Federal City during the year.

Capital Assets

Capital Assets consist of land valued at \$240,000 that was purchased by the Board, in prior years, for future economic development.

Liabilities

As of December 31, 2012, the total liabilities of the District increased by \$2,120,486. This is the result of an increase in liabilities as a result of a \$3,000,000 bond issuance and a decrease of \$601,014 in payables as a result of the completion of the Federal City YMCA project in the prior year. \$2,750,000 of the bonds payable represents long term liabilities with \$150,000 representing short term liabilities as of December 31, 2012. The proceeds from the bond issuance will be utilized for the construction of the levee bike path for the City of New Orleans and the surrounding region, which will not be recorded in the financial statements of the District

as the land that will contain the levee bike path is not owned by **the District**.

Deferred inflows of \$178,500 represent amounts held by a third party for blight remediation.

Net Position

As of December 31, 2012, total Net Position totaled \$2,133,591, which consisted of \$240,000 of Investments in Capital Assets, \$1,000,000 of Net Position Committed by the Board for economic development projects in Algiers, and (\$16,338) of Restricted Capital Projects funds, which primarily resulted from the bond issuance to construct the levee bike path project for the City of New Orleans and the surrounding region. The remaining \$909,929 is unassigned net position.

Summary of 2012 Revenues

For the year ended December 31, 2012, total revenues increased by \$597,485. **The District** earned \$1,218,508 in tax revenues. This amount included \$448,551 which was due and received from the city and state at the beginning of 2013. Total sales tax collections increased by \$74,338 from prior year. Total grant revenue totaled \$1,368,118. Grant revenues increased by \$497,989, which is the direct result of the new YMCA Federal City Capital outlay project. The Federal City YMCA was completed in 2012.

Summary of 2012 Program Expenditures

The District has the clear objective of economic development in Algiers and support of the Federal City Project. Expenditures totaled \$3,332,302 in satisfaction of its program requirements and administrative costs for the year. For the year ended December 31, 2012 expenditures increased by \$930,844 due to increased costs related to the support of the Federal City YMCA project (\$655,844) and support provided to the NOFA (\$50,000), and the Military Charter School (\$225,000).

General Fund Budgetary Highlights

For the year ended December 31, 2012, there were no significant unfavorable variances in the budget.

Economic Factors and Next Year's Budget

The District evaluated current year's operations and many other factors when establishing the budget for its general fund for the year ending December 31, 2013. Anticipated revenues will be approximately \$2,701,000, while expenditures will total \$2,819,000.

This financial report is designed to provide management, the City of New Orleans and the State of Louisiana, and other interested parties with a general overview of **the District's** finances and to demonstrate **the District's** accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Kathy Lynn Honaker of the Algiers Development District at (504) 367-3331.

BASIC FINANCIAL STATEMENTS

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 136,608
Restricted cash	2,883,662
Sales tax revenue receivable	448,551
Investments	<u>1,331,229</u>
Total current assets	4,800,050

LAND 240,000

OTHER ASSETS

Deposit	<u>178,500</u>
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TOTAL ASSETS 5,218,550

LIABILITIES

CURRENT LIABILITIES

Accounts payable	6,459
Bonds payable, current portion	<u>150,000</u>
Total current liabilities	156,459

LONG-TERM BONDS PAYABLE, net of current portion 2,750,000

TOTAL LIABILITIES 2,906,459

DEFERRED INFLOWS

Deferred revenue	178,500
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NET POSITION

Investment in capital assets	240,000
Unassigned	909,929
Committed	1,000,000
Restricted - capital projects	<u>(16,338)</u>

TOTAL NET POSITION \$ 2,133,591

See accompanying independent auditors' report and notes to financial statements.

**ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Assets
GOVERNMENTAL ACTIVITIES			
Economic development	\$ 2,541,821	\$ 1,368,118	\$ (1,173,703)
General and administrative	399,622	-	(399,622)
Other program costs	230,145	-	(230,145)
Bond expense	111,595		(111,595)
Interest expense	49,119	-	(49,119)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,332,302	\$ 1,368,118	(1,964,184)
GENERAL REVENUES			
Sales tax for economic development			1,218,508
Miscellaneous			57,485
Interest income			3,091
TOTAL GENERAL REVENUES			1,279,084
CHANGE IN NET POSITION			(685,100)
NET POSITION - Beginning of year			2,818,691
NET POSITION - End of year			\$ 2,133,591

See accompanying independent auditors' report and notes to financial statements.

FUND FINANCIAL STATEMENTS

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 136,608	\$ -	\$ 136,608
Restricted cash	-	2,883,662	2,883,662
Sales tax revenue receivables	448,551	-	448,551
Investments	1,331,229	-	1,331,229
TOTAL CURRENT ASSETS	1,916,388	2,883,662	4,800,050
OTHER ASSETS			
Deposit	178,500	-	178,500
TOTAL ASSETS	\$ 2,094,888	\$ 2,883,662	\$ 4,978,550
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 6,459	\$ -	\$ 6,459
Deferred revenue	178,500	-	178,500
Total liabilities	184,959	-	184,959
FUND BALANCES			
Unassigned	909,929	-	909,929
Committed	1,000,000	-	1,000,000
Restricted - debt service	-	2,883,662	2,883,662
Total fund balances	1,909,929	2,883,662	4,793,591
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,094,888	\$ 2,883,662	\$ 4,978,550

See accompanying independent auditors' report and notes to financial statements.

**ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2012**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,793,591
 Amounts reported for governmental activities in the statement of net position are different because:	
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental capital assets (land)	240,000
 Debt used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Debt related to bond issuance	<u>(2,900,000)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u><u>\$ 2,133,591</u></u>

See accompanying independent auditors' report and notes to financial statements.

**ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Bond revenue	\$ -	\$ 3,000,000	\$ 3,000,000
Sales tax for economic development	1,218,508	-	1,218,508
Grants and contracts	1,368,118	-	1,368,118
Miscellaneous income	57,485	-	57,485
Interest income	2,834	257	3,091
	<hr/>	<hr/>	<hr/>
Total revenues	2,646,945	3,000,257	5,647,202
EXPENDITURES			
Economic development projects	2,541,821	-	2,541,821
General and administrative	399,622	-	399,622
Other program costs	230,145	-	230,145
Bond principal payments	-	100,000	100,000
Bond interest and fiscal charges	-	160,714	160,714
	<hr/>	<hr/>	<hr/>
Total expenditures	3,171,588	260,714	3,432,302
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(524,643)	2,739,543	2,214,900
INTERFUND TRANSFERS	(144,119)	144,119	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(668,762)	2,883,662	2,214,900
FUND BALANCES – Beginning of year	2,578,691	-	2,578,691
	<hr/>	<hr/>	<hr/>
FUND BALANCES – End of year	\$ 1,909,929	\$ 2,883,662	\$ 4,793,591
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See accompanying independent auditors' report and notes to financial statements.

**ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
 (A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
 RECONCILIATION OF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,214,900

Amounts reported for governmental activities in the statement of activities and changes in net position are different because:

Governmental funds report debt received in the current year as a payable. In the statement of activities and changes in net position, the debt is not reported. (3,000,000)

Governmental funds report the principal portion of debt as expenditures. In the statement of activities and changes in net position, the principal portion of the debt payment reduces the debt. 100,000

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (685,100)

See accompanying independent auditors' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Algiers Development District of the City of New Orleans (the District), a component unit of the City of New Orleans, is a special taxing district created by legislation embodied in Louisiana Revised Statute 33.2740.27, as amended, and effective June 1, 2009. The Council of the City of New Orleans has power and control over and is responsible for the functions and administration of the District. The special taxing district is comprised of all territories within the fifteenth ward of Orleans Parish, State of Louisiana. The District is capable of levying ad valorem taxes on real estate in the District in conjunction with planning, developing, constructing or acquiring services, improvements or facilities within the District proper, subject to approval by the City Council of New Orleans. The District has been designated as a local redevelopment authority for the federal military base realignment purposes and has been authorized to incur debt, including revenue bonds, from revenue sources for its enumerated purposes.

The Reporting Entity – Governmental accounting standards established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. A component unit is a government who is financially accountable to another government or one for which another government can exert influence over its budget and operations. The District is considered to be a component unit of the City of New Orleans. The District does not have any component units.

Basic Financial Statements – Government-Wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. There were no activities of the District categorized as business-type activities.

The statement of activities and changes in net position demonstrate the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basic Financial Statements – Fund Financial Statements – The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Funds are ordered into three major categories: governmental, proprietary, and fiduciary, which are grouped by fund type in the financial statements. Governmental fund types are those through which general governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The debt service fund is used to account for transactions relating to resources retained and used for the payment of principal and interest on long-term obligations. The general fund, the main operating fund of the District, is used to account for all remaining financial resources.

Basis of Accounting – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Cash and Cash Equivalents – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Restricted Cash – Restricted cash as of December 31, 2012 consisted of \$2,883,662 restricted for debt service.

Sales Tax Revenue Receivable – All receivables are booked at actual amounts. The District believed that all receivables were collectible at December 31, 2012 thus no allowance for doubtful receivables is reported in the financial statements.

Investments – Investments as of December 31, 2012 consisted of \$1,331,229 that was invested in the Louisiana Asset Management Pool (LAMP), which was stated at fair value based on quoted market rates.

Interfund Transactions – During the course of normal operations, the governmental entity may have numerous transactions between funds. Interfund transactions are generally classified in three ways. Transfers are reported as "Other Financing Sources and Uses" in the governmental fund, as "Transfers In" by the recipient fund, and "Transfers Out" by the disbursing fund.

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Capital Assets – Capital assets are reported in the government-wide financial statements, and are capitalized at historical cost. Donated assets, if any, are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets of the governmental funds are recorded as expenditures at the time they are purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District had no depreciable capital assets as of December 31, 2012.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Program Revenues – Program revenues consisted of grant and contract revenue earned during the year. Amounts reported as program revenues include YMCA revenues from the State of Louisiana.

Fund Balance – During the year, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the reporting of fund balance in the balance sheets of governmental type funds. In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

- **Nonspendable** – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted** – consists of amounts with constraints either by third-parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used for the specific purposes stipulated in the legislation.
- **Committed** – consists of the amounts used for specific purposes pursuant to constraints imposed by formal action of the District's Board. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- **Assigned** – consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned** – consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) are available for use.

Net Position – On December 31, 2012, the District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provided financial reporting guidance for deferred outflows of resources, deferred inflows of resources,

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

and net position. State and local governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. GASB Statement No. 63 requires that deferred outflows of resources should be reported in a statement of net position in a separate section following assets and deferred inflows of resources should be reported in a separate section following liabilities.

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position should be displayed in three components - *invested in capital assets, net of related debt* consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets; *restricted* distinguishing between major categories of restrictions and consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets; and *unrestricted* consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of invested in capital assets, net of related debt or the restricted component of net position.

New Pronouncements – On January 1, 2012, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which provided financial reporting guidance for reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, items that were previously reported as assets and liabilities. As a result of the early adoption of GASB 65 and the issuance of bonds during the year, the District expensed \$111,595 of bond issuance costs during the year ended December 31, 2012. Early adoption of GASB Statement No. 65 did not have an impact on prior year net position as there were no other costs from prior year required to be expensed as a result of the new pronouncement.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget – In accordance with the Louisiana Local Government Budget Act, the procedures used by the District in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections, and public hearings. The District then legally adopts the budget, which is then approved by the City Council of New Orleans. Budgeted amounts for the General Fund included in the accompanying statements are as amended by the District for the year ended December 31, 2012.

NOTE C – CASH AND CASH EQUIVALENTS

At December 31, 2012, the District had \$151,167 in deposits at local financial institutions. Due to these accounts being non-interest bearing, they had unlimited coverage under Federal Deposit Insurance Coverage as of December 31, 2012.

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE D – CAPITAL ASSETS

As of December 31, 2012, the District's only capital asset was land totaling \$240,000.

NOTE E – DEPOSIT/MEMORANDUM OF UNDERSTANDING

The District entered into a memorandum of understanding with the New Orleans Redevelopment Authority (NORA) to attempt to expropriate blighted properties identified by the District located in Algiers. In accordance with the agreement, the District is required to place on deposit with NORA the total appraised value of the property to be expropriated. The deposited funds will be utilized to cover certain appraisal and legal costs as well as amounts required to compensate the owner of the blighted property. If NORA is unsuccessful in purchasing the property in order to bring the property up to code, then the funds will be returned to the District less any fees incurred. The total amount on deposit with NORA at December 31, 2012 was \$178,500. This amount is also recorded as deferred revenue in the statement of net position as it is not earned until used for its specific purpose.

NOTE F – INVESTMENTS

At December 31, 2012, the District had investments in the Louisiana Asset Management Pool (LAMP) with a carrying amount and market value of \$1,331,229.

In accordance with GASB Codification Section 150.126, the investment in LAMP at December 31, 2012 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP may have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's Investment Guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h), which allows municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio of LAMP assets is restricted to not more than 90 days, and consists of no securities with maturity in excess of 397 days. LAMP is designated to be highly liquid to give its

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

participants immediate access to their accounts' balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

NOTE G – BOND PAYABLE

On August 1, 2012, the District entered into an agreement for the private placement with a local bank. The agreement calls for quarterly payments of \$50,000 plus interest from October 2012 through July 2022 and a final payment of \$1,000,000 plus interest in August 2022. The bonds carry an interest rate of 4.35%. This debt relates to the development and construction of a walking and bicycle path to be located on the levee of the Mississippi River in the Algiers area of Orleans Parish. As the land that will contain the walking and bicycle path is not owned by the District, the resulting capital assets of this project will not be recorded in the financial statements of the District. The agreement states that the District will make required bond principal and interest payments using sales taxes received for economic development. The beginning principal balance of the debt was \$3,000,000; interest payments for the year ended December 31, 2012 totaled \$49,119; the principal balance as of December 31, 2012 is \$2,900,000.

NOTE H – COOPERATIVE ENDEAVOR AGREEMENTS

The District receives funds from a Cooperative Endeavor Agreement entered into with the City of New Orleans and the District, created by the New Orleans City Council authorized by LA R.S. 33:9038.1 et seq. receiving incremental state and city sales taxes from the Tax Increment Financing District (TIF), created pursuant to City of New Orleans Ordinance No. 24.920 M.C.S. According to the terms of the Cooperative Endeavor Agreement, on an accrual basis, the District shall receive the lesser of the incremental funds from the TIF or \$1,000,000. The receipt of these funds is conditioned on the District receiving matching funds from the State of Louisiana pursuant to an agreement between the District and the State of Louisiana. TIF consists of sales tax generated from the Wal-Mart store and other parcel businesses located on Behrman Highway in Algiers and 1¼ cents of each of the city and state sales tax revenue is received by the District from the Cooperative Endeavor Agreement and the state match.

The use of the TIF is limited to a period of forty-two years as amended by the City Council and approved by the mayor on June 1, 2009 in accordance with City Ordinance No. 24.920. During 2012, the District received \$416,402 from the City of New Orleans and \$412,239 from the State of Louisiana for the year ended December 31, 2012. At December 31, 2012, the City of New Orleans and the State of Louisiana had amounts due to the District, which totaled \$158,559 and \$156,970, respectively.

In 2010, the District entered into a Cooperative Endeavor Agreement (CEA) with the YMCA of Greater New Orleans. The YMCA had been requested by the District to undertake the CEA in order to make it economically feasible for the District to pay for the total cost of building a new YMCA. The District had previously entered into a CEA with the State of Louisiana to complete FP&C Project No. 50-NIL-07B-01 which included the construction of the new Westbank YMCA. By entering into the CEA with the

**ALGIERS DEVELOPMENT DISTRICT
OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

YMCA, the District's obligation to pay for the YMCA's project costs is strictly limited to the receipt of project funds from the State of Louisiana as part of its Capital Outlay process.

NOTE I – NET POSITION USES AND COMMITMENTS

The net position balance at December 31, 2012 consisted of the balance of funds originally received pursuant to economic development funds from the State of Louisiana in 1997 and 1998 for economic development program for Algiers and is to be used for that purpose. The net position balance at December 31, 2012 is to be used for its economic development obligations and projects pursuant to its Cooperative Endeavor Agreement with the City of New Orleans to promote economic development, as well as to comply with debt service obligations pursuant to its bond issuance in 2012.

NOTE J – ECONOMIC DEPENDENCY

The District receives the majority of its operating revenue from funds provided through the TIF district pursuant to its Cooperative Endeavor Agreement (CEA) with the City of New Orleans. The terms of the CEA agreement expire with the expiration of the dedicated sales tax revenues to the TIF. The expiration of the TIF shall cause a significant reduction of revenue to the District with a resulting adverse impact on its operations.

NOTE K – SUBSEQUENT EVENTS

On May 21, 2013, the Department of Navy and New Orleans Federal Alliance donated 114 acres of land to the District.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 26, 2013, and determined that, except as noted above, no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY SCHEDULE

**ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Board Member	Amount
Representative Jeff Arnold (Chairman) 3520 General DeGaulle Dr., Suite 3071 New Orleans, LA 70114	\$ -0-
Senator Jean-Paul "JP" Morrell (Secretary) 6305 Elysian Fields Ave. Suite 405 New Orleans, LA 70122	-0-
Jim Tucker (Treasurer) 8 English Turn Dr. New Orleans, LA 70131	-0-
Tom Arnold 2407 Danbury Dr. New Orleans, LA 70131	-0-
Tyrone Casby 2009 Palmyra Street New Orleans, LA 70112	-0-
Judy Reese Morse 1300 Perdido St. Room 2E04 New Orleans, LA 70112	-0-
Councilmember Kristin Gisleson Palmer 1300 Perdido St. Room 2W70 New Orleans, LA 70112	-0-

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND - BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES				
Sales tax for economic development	\$ 1,700,000	\$ 1,300,000	\$ 1,218,508	\$ (81,492)
Grants and contracts	1,300,000	1,300,000	1,368,118	68,118
Miscellaneous income	-	-	57,485	57,485
Interest income	2,000	2,000	2,834	834
Total revenues	3,002,000	2,602,000	2,646,945	44,945
EXPENDITURES				
Economic development projects	3,115,000	3,115,000	2,541,821	573,179
General and administrative	543,400	543,400	399,622	143,778
Other program costs	20,000	20,000	230,145	(210,145)
Total expenditures	3,678,400	3,678,400	3,171,588	506,812
EXCESS OF REVENUES OVER EXPENDITURES	\$ (676,400)	\$ (1,076,400)	\$ (524,643)	\$ (461,867)

See accompanying independent auditors' report.

OTHER REPORT

Silva Gurtner & Abney

Certified Public Accountants & Consultants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
Algiers Development District
of the City of New Orleans
(A Component Unit of the City of New Orleans)
Algiers, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Algiers Development District of the City of New Orleans, a component unit of the City of New Orleans, (the District) as of and for the year ended December 31, 2012, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

4330 Dumaine Street
New Orleans, LA 70119
(504) 833-2436 (O) • (504) 484-0807 (F)

200-B Greenleaves Blvd.
Mandeville, LA 70448
(985) 626-8299 (O) • (985) 626-9767 (F)

900 Village Lane
P O Box 50, Pass Christian, MS 39571
(985) 626-8299 (O) • (985) 626-9767 (F)

Limited Liability Company
www.silva-cpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Silva Gurtner & Abney, LLC

June 26, 2013

**ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
AS OF DECEMBER 31, 2012**

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

No matters are reportable.

Section II - Internal Control and Compliance Material to Federal Awards:

No matters are reportable.

Section III - Management Letter:

No matters are reportable.

See accompanying independent auditors' report.

**ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
(A COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SUMMARY OF PRIOR YEAR FINDINGS
AS OF DECEMBER 31, 2012**

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

No matters are reportable.

Section II - Internal Control and Compliance Material to Federal Awards:

No matters are reportable.

Section III - Management Letter:

No matters are reportable.

See accompanying independent auditors' report.